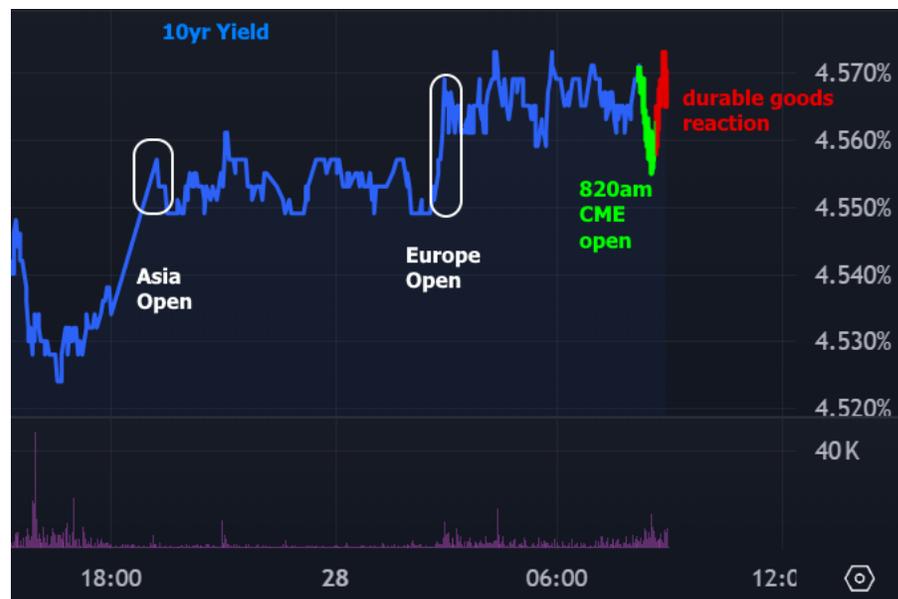




The Day Ahead: Stronger Internals Offset Weaker Durable Goods Headline

Bonds were weaker overnight as markets calmed down a bit after yesterday's DeepSeek frenzy. The 8:20am CME open brought in just a bit of buying, but there's been better selling since the 8:30am Durable Goods data. The -2.2 vs 0.8 f'cast might look like a good outcome for bonds at first glance, but Durable Goods is a notoriously volatile report at the headline level due to major expenditures in certain sectors. That's why there's a separate component line item for "non-defense capital goods orders, excluding aircraft." Think of it like "core" durable goods. Bottom line, the core is offsetting the headline, and causing bonds to move back to the weaker opening levels.



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